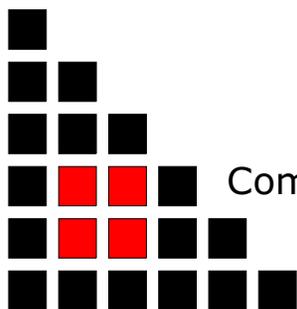


City of Worthing HOUSING STUDY UPDATE

June 2023

An analysis of the overall housing needs
of the City of Worthing, SD



Community Partners Research, Inc.

Faribault, MN

List of Sections

	<u>Page</u>
Introduction	2
Demographic and Projection Data	4
Existing Housing Data	23
Rental Housing Inventory	29
Regional Housing Data	34
Employment and Local Economic Trends Analysis	41
Findings and Recommendations	46
Summary of Findings/Recommendations	55
Rental Housing Development Recommendations	57
Home Ownership Recommendations	66
New Housing Construction Recommendations	70
Housing Rehabilitation Recommendations	78
Other Housing Initiatives	81
Agencies and Resources	86

Introduction

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Worthing, Lincoln County and the Sioux Falls MSA are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the City of Worthing in 2014 to conduct a study of the housing needs and conditions in the City. In 2023, an Update to this previous housing study was completed.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data including the 2020 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from January to April, 2023. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographical Solutions, Inc., a data reporting service
- Esri, Inc., a data reporting service
- Records and data from the City
- Records and data maintained by Lincoln County
- Interviews with City officials, housing stakeholders, etc.
- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys

Limitations

This Housing Study represents an analysis performed with the data available at the time of the research. The findings and recommendations are based upon current solutions and the best available information on future trends and projections. Significant changes in the area's economy, employment growth, federal or State tax policy or other related factors could change the conclusions and recommendations contained in this Housing Study.

During the course of the research for this project, the global pandemic was coming to an end, but the pandemic did have widespread impacts, including on economic and housing conditions. Although possible longer-term effects of the pandemic cannot be predicted, the analysts have proceeded with the best information available at the time of the research.

This study was prepared by:

Community Partners Research, Inc.
Faribault, MN
(507) 838-5992
cpartners@charter.net

Section Table of Contents

	<u>Page</u>
Demographic Data Overview	5
Population Data and Trends	6
Population by Age Trends: 2010 to 2022	8
Population Projections	10
Household Data and Trends	11
Household by Age Trends: 2010 to 2022	12
Average Household Size	13
Household Projections	14
Household Projections by Age	15
Housing Tenure	17
Median Income Data	18
Income Distribution by Tenure	20
Estimated Income and Housing Costs - Renters	21
Estimated Income and Housing Costs - Owners	22

Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources.

At the time that research was completed for this Study, the Census Bureau had released initial information from the 2020 decennial Census. However, some of the more detailed tables on demographic and housing characteristics are not scheduled for release until late May 2023.

The global pandemic had not only impacted the Census release schedule, but it also affected the data collection in 2020. As a result, there are some questions about the accuracy of 2020 Census data, but in the opinion of the analysts it still represents the best demographic information available.

With the absence of some data from the 2020 Census, this Study has proceeded with the best available estimates from secondary sources, including the Census Bureau's American Community Survey, an annual sampling of households. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate.

The American Community Survey estimates have an effective date in 2021. The estimates were derived from five-year sampling, obtained between 2017 and 2021.

This Update has also utilized demographic estimates and projections that have been generated by private data providers. The South Dakota Governor's Office of Economic Development contracts with Applied Geographic Solutions (AGS) to provide community profiles for each city in the State.

Prior to using AGS, the State had used Esri, Inc., for community profiles. The analysts have also utilized estimates and projections from Esri. Both of these private data reporting services are widely used by financial and government entities.

Worthing is in Lincoln County, the second largest County in the Sioux Falls Metropolitan Statistical Area (MSA). Comparative information has sometimes been provided for Lincoln County or for the entire MSA. However, it is important to recognize that Worthing represents only 1.3% of the total household count for Lincoln County, and only 0.3% of all households in the Sioux Falls MSA.

Population Data and Trends

Table 1 Population Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Worthing	371	585	57.7%	877	49.9%	927
Lincoln Co.	15,427	24,131	56.4%	44,828	85.8%	65,121

Source: U.S. Census

- ▶ The release of population totals from the 2020 U.S. Census has established a new benchmark for the number of people residing in each jurisdiction. The Census total had an effective date of April 1, 2020.
- ▶ In 2020, the population for the City of Worthing was 927 people. When compared back to the 2010 Census, the City had added 50 permanent residents, for a population increase of 5.7%.
- ▶ Although Worthing did add permanent residents between 2010 and 2020, the actual numeric increase was limited. In prior decades the City had grown at a more rapid rate, adding 292 residents between 2000 and 2010 after adding 214 people in the 1990s. After 2010, population growth slowed significantly.
- ▶ In 2020, the population level for all of Lincoln County was 65,121, up by 20,293 people from 2010. Lincoln County and the Metropolitan Statistical Area (MSA) have grown very rapidly in past decades, with most of this growth specifically located in the City of Sioux Falls.
- ▶ There are population estimates available for 2022 which were released after the 2020 Census and reflect the Census reporting.
- ▶ Applied Geographic Solutions (AGS), the data source utilized by the Governor’s Office of Economic Development, estimates that the City of Worthing had 976 residents in 2022. This estimate was above the 2020 Census count of 927 people, implying that the City has continued to grow over the past few years.
- ▶ A 2022 estimate from Esri for the City of Worthing showed 965 residents, also above the 2020 Census count of 927 people, also indicating continued growth after 2020.

Population Characteristics

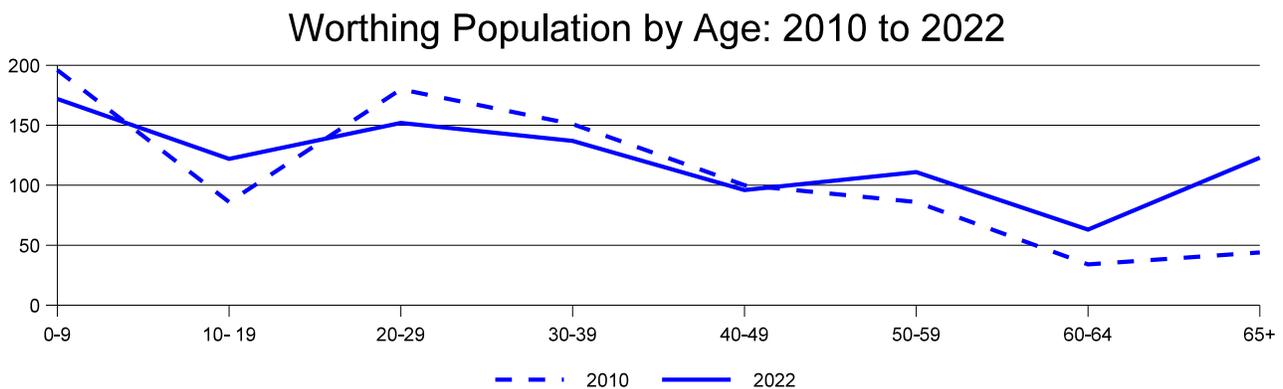
- ▶ Worthing’s population is primarily White and non-Hispanic/Latino. At the time of the 2020 Census, nearly 92% of the City’s residents were identified as White for race. The next largest racial group was “two or more races”, which represented 3.6% of the City’s residents.
- ▶ Approximately 1.3% of Worthing’s residents were of Hispanic/Latino ethnic origin in 2020.
- ▶ In 2020, there were no people in Worthing living in group quarters housing such as a skilled nursing facility or group home.

Population by Age Trends: 2010 to 2022

The 2022 population estimate from Applied Geographic Solutions includes information on the age distribution of residents. This information can be compared to the age patterns present at the time of the 2010 Census. It is important to note that AGS groups all senior citizens age 65 and older into a single age range.

Table 2 Population by Age - 2010 to 2022			
Age	Worthing		
	2010	2022	Change
0-9	196	172	-24
10-19	86	122	36
20-29	180	152	-28
30-39	151	137	-14
40-49	100	96	-4
50-59	86	111	25
60-64	34	63	29
65+	44	123	79
Total	877	976	99

Source: U.S. Census; AGS



- ▶ The age-based estimates from AGS show some population changes in the City over the 12-year time period. In general terms, the City had fewer younger residents over this time while adding a significant number of people age 50 and older.

- ▶ The largest numeric increase occurred among senior citizens, age 65 and older. AGS does not provide a more detailed age range breakdown, but the City was estimated to add 79 people age 65 and older.
- ▶ Worthing also added residents in the 50 to 59 year old age range and in the near-senior group from 60 to 64 years old. Combined, these estimates show the City adding 133 people age 50 and older between 2010 and 2022.
- ▶ Most of the younger age groups decreased in size. The only exception was growth of 36 children and young adults in the 10 to 19 year old range. All of the other defined age ranges 49 years old and younger decreased in size between 2010 and 2022. If combined, the City had 34 fewer residents age 49 and younger by 2022.

Population Projections

Population projections are available from both Applied Geographic Solutions (AGS) and Esri.

Table 3 Population Projections Through 2027				
	2020 Census	2022 Estimate	2027 Projection	Change
Worthing - AGS	927	976	1,033	57
Worthing - Esri	927	965	1,032	67
Lincoln Co. - AGS	65,121	68,728	79,884	11,156

Source: Applied Geographic Solutions; Esri

- ▶ AGS is projecting some population growth in Worthing with the addition of 57 people over the 5-year projection period. On an average basis, this equates to between 11 and 12 additional residents per year.
- ▶ Esri is projecting a similar level of growth with the addition of 67 people over the 5-year period. On an average basis, this would be an annual increase of 13 to 14 residents in a typical year.
- ▶ While the analysts view the projections for Worthing as very achievable, the City has the potential to exceed these forecasts given the significant growth that will occur within the larger Sioux Falls region.
- ▶ Significant population growth would be expected for all of Lincoln County. The projection from Applied Geographic Solutions anticipates that the County will add more than 11,500 residents over the five-year projection period, or an annual average of approximately 2,230 people per year.

Household Data and Trends

Table 4 Household Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Worthing	128	206	60.9%	325	57.8%	329
Lincoln Co.	5,461	8,782	60.8%	16,649	89.6%	24,877

Source: U.S. Census

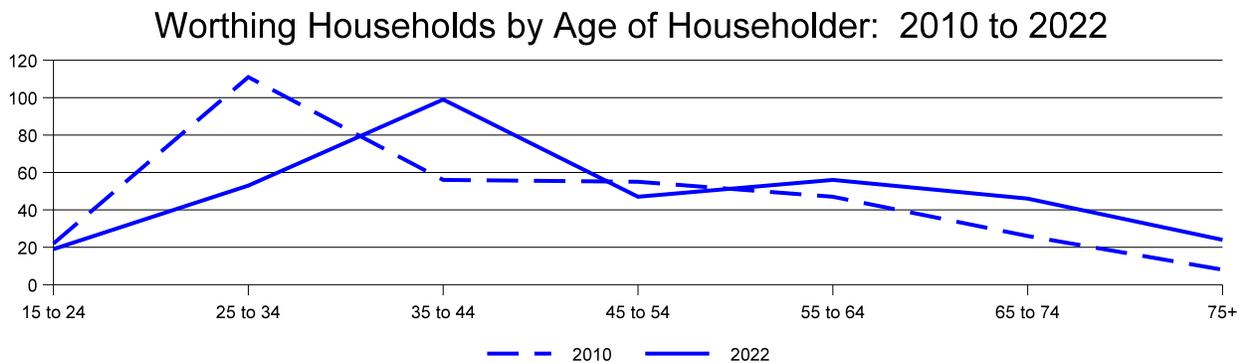
- ▶ According to the 2020 Census, Worthing had 329 permanent resident households in 2020, up by only four households, or 1.2% from 2010.
- ▶ The very limited household growth that occurred in the most recent decade is a significant change from past patterns. Between 2000 and 2010 the City added 119 households, and added 78 households in the 1990s. Based on the 2020 Census count, growth of resident households in Worthing largely stopped after 2010.
- ▶ Lincoln County has continued to grow at a very rapid rate, adding more than 8,200 households between 2010 and 2020.
- ▶ Household estimates for 2022 are also available from Applied Geographic Solutions and Esri.
- ▶ According to AGS there were 350 households in Worthing in 2022, well above the 2020 Census count of 329 households. If accurate, the City has added 21 households since the 2020 Census was completed.
- ▶ According to Esri there were 344 households in the City in 2022. While slightly below the AGS estimate, Esri is also showing household growth after 2020.
- ▶ According to AGS there were 26,265 households in Lincoln County 2022. If accurate, Lincoln County added nearly 1,390 households between 2020 and 2022.

Household by Age Trends: 2010 to 2022

The following table compares households by age from the 2010 Census and 2022 estimates from Esri. This information is for the City of Worthing.

Table 5 Worthing Households by Age - 2010 to 2022			
Age	2010	2022	Change
15-24	22	19	-3
25-34	111	53	-58
35-44	56	99	43
45-54	55	47	-8
55-64	47	56	9
65-74	26	46	20
75+	8	24	16
Total	325	344	19

Source: U.S. Census; Esri



- ▶ The age-based household estimates provided by Esri generally show the age advancement of households in Worthing between 2010 and 2022. In 2010, the City had a large number of young adult households in the 25 to 34 year old age range. By 2022, many of these households had aged into the 35 to 44 year old range, resulting in the largest net gain for any age group. Conversely, the 25 to 34 year old group was greatly decreased in size by 2022.
- ▶ Worthing did add a number of households within the empty-nester and senior age groups. In the combined age groups 55 and older, the City added an estimated 45 households between 2010 and 2022.

Average Household Size

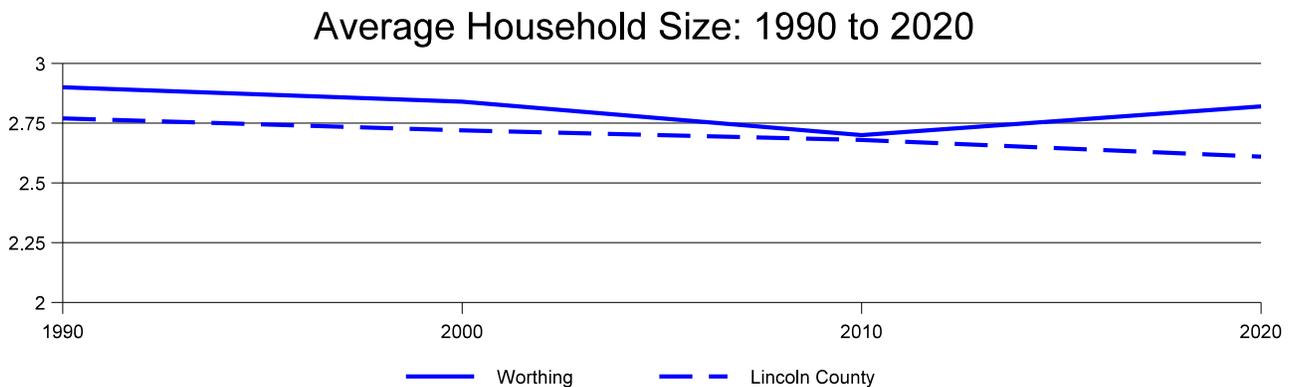
The following table provides decennial Census information on average household size.

In most jurisdictions there has been a steady decrease in average household size over the past several decades. This has often been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.

Table 6 Average Number of Persons Per Household: 1990 to 2020				
	1990 Census	2000 Census	2010 Census	2020 Census
Worthing	2.90	2.84	2.70	2.82
Lincoln Co.	2.77	2.72	2.68	2.61

Source: U.S. Census

- ▶ Although Worthing did see a decrease in its average household size between 1990 and 2010, the 2020 Census showed that the average had then increased to 2.82 persons by 2020. Despite some decade to decade variation, the average household size in Worthing has been large by comparative standards.
- ▶ The average household size for Lincoln County has been steadily decreasing since at least 1990, but once again, is still large when compared to most jurisdictions in South Dakota. Lincoln County has continued to grow at a rapid rate and has attracted families including households with children.



Household Projections

Household projections for the five-year time period spanning the years 2022 through 2027 are available from AGS and Esri. Household growth directly impacts the demand for housing.

Table 7 Household Projections Through 2027				
	2020 Census	2022 Estimate	2027 Projection	Change
Worthing - AGS	329	350	361	11
Worthing - Esri	329	344	371	27
Lincoln Co. - AGS	24,877	26,265	29,958	3,693

Source: U.S. Census; AGS; Esri

- ▶ Applied Geographic Solutions is projecting that Worthing will only add 11 households over the 5-year projection period, or an average of approximately two households per year. In the opinion of the analysts, this is forecast is conservative and the City does have greater growth potential based on its location in Lincoln County.
- ▶ The 2027 projection from Esri expects an increase of 27 households in Worthing over the 5-year projection period, for an annual average of between 5 and 6 households per year. Annual growth at this level would be greater than in the recent past, but is an achievable forecast for the City, in the opinion of the analysts, especially with the large-scale growth potential that exists in the Sioux Falls region.
- ▶ The AGS projection for Lincoln County expects very significant growth, with the County expected to add nearly 3,700 households between 2022 and 2027. This forecast highlights the large number of households that are expected to live in the larger Sioux Falls region.

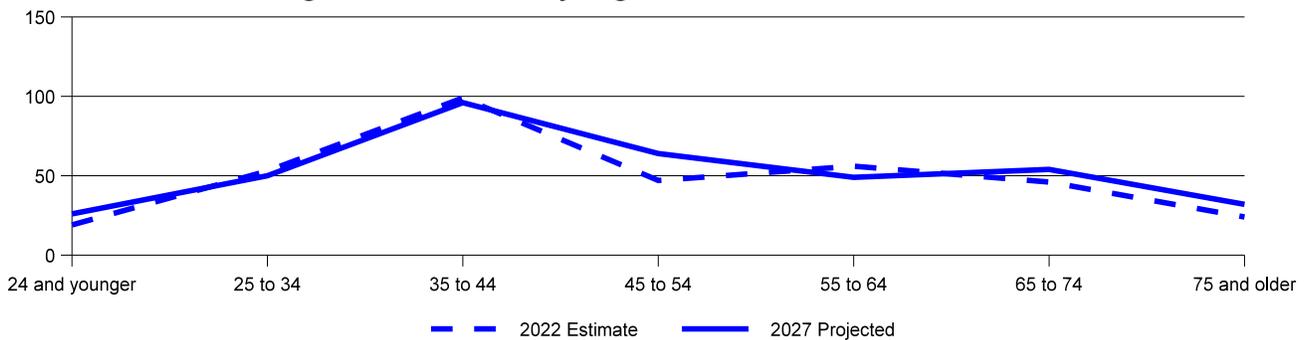
Worthing Household by Age Projections: 2022 to 2027

Esri has generated age-based projections for households to the year 2027. These projections can be compared to the data contained in the 2022 Esri estimates to examine the change projected over the next five years. Age-based household forecasts are provided for the City of Worthing.

Table 8 Projected Households by Age - 2022 to 2027			
Age Range	2022	2027	Change
15-24	19	26	7
25-34	53	50	-3
35-44	99	96	-3
45-54	47	64	17
55-64	56	49	-7
65-74	46	54	8
75+	24	32	8
Total	344	371	27

Source: Esri

Worthing Households by Age of Householder: 2022 to 2027



- ▶ The age-based projections from Esri show limited change in most of the defined age ranges between 2022 and 2027. Only one age group, households 45 to 54 years old, is expected to change by more than 10 households. Over the 5-year projection period this middle-aged range is expected to add 17 households in Worthing.
- ▶ While the City is projected to add 7 young adult households age 24 and younger, minor losses in the next two age groups should result in almost no change from households age 44 and younger by 2027.

- ▶ Esri is projecting a minor reduction of 7 households in the near-senior age group, 55 to 64 years old. However, both of the senior age ranges are expected to increase in size, with 8 households added in the younger senior range between 65 and 74 years old, and 8 households added among seniors age 75 and older.

Housing Tenure

Although the American Community Survey produces estimates of housing occupancy tenure, these do not appear to be reliable for the City of Worthing. As a result, the following table presents the owner and renter household distribution from the 2010 Census. The release of the 2020 Census data within the next year will re-benchmark housing tenure distribution.

Table 9 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Worthing	292	89.8%	33	10.2%

Source: U.S. Census

- ▶ At the time of the 2010 Census, the home ownership rate in the City of Worthing was nearly 90%. The City primarily offers single family housing options for home ownership. The rental rate of only 10.2% in Worthing was below the Statewide renter rate of nearly 32% in 2010.

- ▶ While it is possible that the housing tenure rate in the City may have changed since 2010, this would largely be due to tenure conversion, as houses that were once owner-occupied changed to rental use or vice versa. As will be discussed later in this document, there has been only one new rental duplex that can be identified in Worthing and limited new construction of single family houses.

Median Income Data

The American Community Survey provides income estimates for cities and counties. The following table provides 2021 American Community survey data for Worthing along with Lincoln County and the State of South Dakota for comparison.

Household income represents all independent households, including people living alone and unrelated persons together in a housing unit. Families are two or more related people living in a household. Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners.

Table 10 Median Household Income - 2010 to 2021			
	2010 Median	2021 Median	% Change
Median Household Income			
Worthing	\$57,344	\$82,222	43.4%
Lincoln County	\$67,365	\$87,560	30.0%
South Dakota	\$46,369	\$63,920	37.9%
Median Family Income			
Worthing	\$65,000	\$90,000	38.5%
Lincoln County	\$75,231	\$102,136	35.8%
South Dakota	\$58,958	\$81,756	38.7%

Source: American Community Survey

- ▶ According to the 2021 American Community Survey, the median household income in Worthing was \$82,222. The City’s median had increased by more than 43% from 2010. While the City’s median household income was lower than the median for all of Lincoln County, the City’s median was well above the Statewide level of \$63,920.
- ▶ Worthing’s median family income was estimated at \$90,000 in 2021, up by nearly 39% from 2010. This median was also below the level for Lincoln County but above the median family income amount for the State of South Dakota.

- ▶ Median income levels can be used to establish a benchmark for affordable housing thresholds, using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden
- ▶ A median income household in Worthing could afford approximately \$2,056 per month for ownership or rental housing in 2021. However, as will be detailed later in this section, renter households tend to be below the overall median, while owner households tend to be above the overall median level.
- ▶ A median income family in Worthing could afford \$2,250 in 2021 for monthly housing costs.

Worthing Income Distribution

The 2021 American Community Survey provides income data within specific income ranges. Based on other data, it appears that the American Community Survey has under estimated the total number of renter households in the City, but the percentage distribution is assumed to be accurate.

Table 11 City of Worthing Income Distribution by Tenure - 2021			
Household Income	Owner Households	Renter Households	All Households
\$0 - \$14,999	4.8%	17.6%	5.4%
\$15,000 - \$24,999	7.3%	0%	6.9%
\$25,000 - \$34,999	2.9%	17.6%	3.6%
\$35,000 - \$49,999	11.4%	5.9%	11.1%
\$50,000 - \$74,999	15.6%	29.4%	15.7%
\$75,000 - \$99,999	26.0%	0%	24.7%
\$100,000+	32.1%	29.4%	31.9%
Total	100%	100%	100%

Source: ACS

- ▶ Income and housing tenure are often linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.
- ▶ The ACS estimated that there were only 17 renter-occupancy households in Worthing in 2021. In the opinion of the analysts, this represents an under count, and with limited data, there is some question on the accuracy of the income data. According to the American Community Survey, most renter households in the City had an annual income above \$50,000.
- ▶ The estimated median income for all renter households was \$53,750 in 2021. At 30% of income, a renter at the median level could afford approximately \$1,344 per month for housing costs.
- ▶ Conversely, most owner households had a substantially higher income level. More than 58% of all owner households had an annual income of \$75,000 or more in 2021. The estimated median for all owner-occupancy households was \$83,036. At 30% of income, an owner at the median level could afford approximately \$2,076 per month for housing costs.

Estimated Income and Housing Costs - Renters

The American Community Survey collected information on housing costs. The following table provides data on the percentage of renter households that are paying different percentages of their income for housing in Worthing. The American Community Survey appears to have underestimated the number of renter households in Worthing and may have overestimated income levels for renters. However, this table does provide some additional insight on rental costs in the City.

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Table 12 Gross Rent as a Percentage of Income - City of Worthing	
Percent of Income for Housing	Percent of Renter Households
Less than 20%	52.9%
20% to 29.9%	29.4%
30% to 34.9%	0%
35% or more	17.6%
Not Computed	0%
Total	100%

Source: American Community Survey

- ▶ A relatively small percentage of renter households in Worthing reported a cost burden in 2021. Overall, fewer than 18% of all renters reported paying 30% or more of their income for gross rent. All of these households were actually applying 35% or more of their household income and were in the severe cost burden category.
- ▶ All of the renter households with a cost burden had an annual income below \$20,000 in 2021.

Estimated Income and Housing Costs - Owners

The American Community Survey provided housing cost estimates for owner-occupants. The following table examines estimates for the number of households in Worthing that are paying different percentages of their gross household income for housing costs. The American Community Survey may have slightly over estimated the number of home owners in Worthing when compared to other data sources, but the percentage for housing costs are viewed as the best available data on this topic.

It is important to note that mortgage lending practices generally attempt to keep monthly payments below 30% of household income.

Table 13 Worthing Owner Costs as a Percentage of Income: 2021		
Percentage of Income for Housing Costs	Number of Owner Households	Percent of All Owner Households
0% to 19.9%	211	67.0%
20% to 29.9%	56	17.8%
30% or more	48	15.2%
Not Computed	0	0%
Total	315	100%

Source: American Community Survey

- ▶ A very large majority of owner-occupants in Worthing, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. Only 15.2% of all home owners reported that they paid more than 30% of their income for housing.
- ▶ Most of the households with an ownership cost burden in 2021 had an annual income below \$50,000.

Building Permit Trends

Worthing has experienced some new housing construction activity in recent years. Specific annual information was obtained from the Census Bureau.

Table 14 Worthing Housing Unit Construction Activity: 2010 to 2022			
Year	Single Family	Two or More Units	Total Units Constructed
2022	3	2	5
2021	3	0	3
2020	3	0	3
2019	3	0	3
2018	0	0	0
2017	0	0	0
2016	2	0	2
2015	2	0	2
2014	0	0	0
2013	1	0	1
2012	0	0	0
2011	0	0	0
2010	1	0	1
TOTAL	18	2	20

Source: Census Bureau; City of Worthing; Community Partners Research, Inc.

- ▶ Over the 13-year period spanning the years 2010 through 2022, there were 20 new housing units permitted in Worthing according to City and Census Bureau records. Eighteen of these units were in traditional single family houses.
- ▶ A new duplex was constructed in 2022 and is used for renter-occupancy.
- ▶ The City has averaged fewer than two new housing starts per year over the entire 13-year time period, but from 2019 through 2022, three single family housing starts occurred annually.

2020 Census Housing Unit Data

The first housing counts released from the 2020 Census included information on occupancy and vacancy. The following table compares information from 2010 and 2020 to track changes over the decade as reported by the Census.

Table 15 Housing Units, Occupancy and Vacancy - 2020									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Worthing	334	341	7	325	329	4	9	12	3

Source: U.S. Census

- ▶ According a reconciliation of decennial Census data, Worthing had 7 more housing units in 2020 than were present at the time of the 2010 Census. The City had an increase of 4 occupied units and a 3 unoccupied/vacant units.
- ▶ On the previous page, information was presented on building permit issuance. Between 2010 and 2019 there were 9 new housing units built in the City. This new construction total was slightly higher than the reported growth of 7 units in the housing stock as tracked by the 2020 Census. Presumably, a small number of older housing units were lost over the decade due to demolition or other causes.

American Community Survey Housing Data

The Census Bureau's American Community Survey includes information on various housing topics. As stated previously, the estimates for small communities are based on limited sampling, which results in a margin of error within the individual data being presented.

Median Year of Construction - Owner-occupancy Housing

For owner-occupancy units in Worthing, the estimated median year of construction is 1994. Fewer than 21% of all owner-occupancy houses in the City were constructed prior to 1980.

Median Year of Construction - Renter-occupancy Housing

For renter-occupancy units in Worthing, the estimated median year of construction is 1974. Nearly 65% of all renter-occupancy units in the City were constructed prior to 1980.

Units in Structure

According to the American Community Survey, approximately 96% of all housing units in Worthing are in one unit structures, primarily single family houses.

The City has a very limited supply of multifamily housing or structures that contain two or more housing units.

Existing Home Sales

This section examines houses that have been sold in Worthing from 2017 through 2022.

The information was obtained from the South Dakota Department of Revenue website, based on sales reports submitted by the Lincoln County Equalization Office. The Equalization Office collects and utilizes information from residential sales for its annual sales ratio study. The County compares the actual sale price to the estimated taxable value for each property. As a result, the County information for sales primarily reflects existing homes that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value from the prior year.

It is important to note that the number of houses that sell each year can vary and may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that have turned-over during this time period.

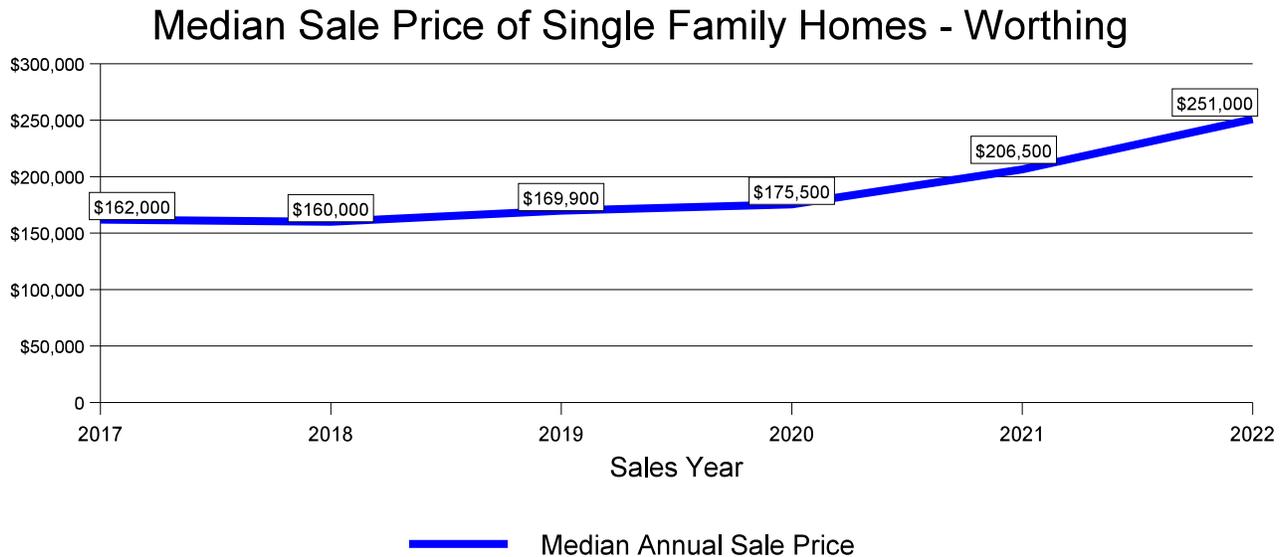
The County sorts the residential sales into different groupings, rejecting certain sales. The primary reason that sales are rejected is because the house was not actively listed for sale in the open market. Only the “good” sales have been used in the analysis that follows. The County’s sale year differs slightly from a calendar year, and begins on November 1st and extends to October 31st.

Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2022	19	\$251,000	\$323,000	\$100,000
2021	20	\$206,500	\$346,000	\$85,000
2020	19	\$175,500	\$235,000	\$40,250
2019	29	\$169,900	\$245,000	\$75,500
2018	21	\$160,000	\$238,000	\$15,000
2017	29	\$162,000	\$182,900	\$16,000

Source: SD Dept. of Revenue; Lincoln County Assessor; Community Partners Research, Inc.

- ▶ Between 2020 and 2022 there were large increases in the median annual sale prices in Worthing. Between 2020 and 2021, the median price increased by \$21,000, before increasing \$44,500 from 2021 to 2022.

- ▶ The rapid rises in recent years may be due to the limited number of sales within any 12-month time period, or it may be a reflection of rapidly escalating prices in the community.



- ▶ From 2017 to 2020 there had been a general pattern of rising prices in the community, increasing from \$162,000 in 2017 to \$175,500 in 2020.
- ▶ Although overall prices have been increasing, there are also some more moderately valued home sales in Worthing each year. In each of the years reviewed at least one home was sold for \$100,000 or less.
- ▶ There have generally been few higher valued sales in Worthing. Between 2017 and 2020, no sale was recorded for more than \$245,000. In 2021, a home was sold for \$345,000, the highest during the time period reviewed, but this was the only sale between 2017 and 2021 that was above \$300,000. In 2022 there were two sales above \$300,000.
- ▶ An alternate estimate of home values exists in the American Community Survey. In 2021, the estimated median value for all owner-occupied housing in Worthing was \$165,300. This estimate was well below the median sale price recorded in 2021 of \$206,500, but was generally similar to the median sales prices achieved between 2017 and 2020.

Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges over a 24-month period spanning the 2021 and 2022 sales years. There were 39 good “arms length” sales over this period.

Table 17 Worthing 24-Month Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than \$100,000	1	2.6%
\$100,000 - \$149,999	2	5.1%
\$150,000 - \$199,999	10	25.6%
\$200,000 - \$249,999	15	38.5%
\$250,000 or more	11	28.2%
Total	39	100%

Source: SD Dept. of Revenue; Community Partners Research, Inc.

- ▶ While recent home sales in Worthing were widely distributed in different price ranges, the large majority of homes were sold within a range between \$150,000 and \$249,999. Overall, approximately 64% of the sales were within these price ranges.

Worthing Home Sales by Price Range in 2021/2022



- ▶ Over the past two years, fewer than 8% of all home sales in Worthing were for less than \$150,000, while more than 28% of sales were for \$250,000 or more.

Rental Housing Data

Census Bureau Rental Inventory - Worthing

The 2020 Census has not yet released any of the more detailed tables on housing occupancy patterns, including owner versus renter status. Estimates for 2021 do exist in the American Community Survey, but these appear to have underestimated the number of renter households in the City and are not viewed as reliable.

At the time of the 2010 Census there were only 33 occupied rental units and three unoccupied rental units in Worthing, for a total estimated rental inventory of 36 units. The City's rental tenure rate in 2010 was 10.2%, below the Statewide rental rate of 31.9%.

Between 2010 and 2022, there was one rental duplex constructed in the City. Some additional changes may have occurred from houses that converted to rental use or vice versa.

Census Bureau Rental Inventory - Sioux Falls MSA

Worthing is part of the Sioux Falls Metropolitan Statistical Area (MSA), with the City of Sioux Falls having the large majority of the region's rental units. According to the 2021 American Community Survey, there were more than 36,150 occupied rental units in the MSA. For the entire MSA the rental tenure rate was above 33%.

When compared to the totals provided in the 2010 Census, the Sioux Falls MSA had added nearly 8,000 total rental units from 2010 to 2021. The rental tenure rate in 2010 was less than 32%, compared to more than 33% in 2021.

Worthing's Share of Rental Housing in the MSA

At the time of the 2010 Census, the number of renter-occupancy households in Worthing represented less than 0.12% of all renter households in the entire MSA. From 2010 to 2021, Worthing's overall share of renters decreased, as no new units were built in the City while the MSA probably added nearly 8,000 units.

Pending Rental Projects

Our research identified no proposed rental projects in Worthing that are currently in the planning phase.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Worthing. The survey was conducted during the months of January and February 2023.

Emphasis was placed on contacting properties that have four or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, with so few multifamily structures in Worthing, information was also collected from a rental duplex.

There were 26 conventional market rate housing units that were contacted in the survey. However, one property with four units did not participate, so usable information was obtained from 22 rental units.

Information was tallied only for market rate units as there are no subsidized housing units, senior independent units or senior housing with services rental units in Worthing. The findings of the survey are provided below.

Market Rate Summary

Information was obtained from 22 conventional rental units in four multifamily projects. A fifth project was contacted but did not disclose occupancy or rental rate details. The market rate properties ranged in size from a duplex to an 8-unit apartment project.

Unit Mix

Although one of the market rate projects did not disclose all details, information was available on the bedroom mix, so 26 units are reflected in this topic:

One-bedroom - 1 (3.8%)
Two-bedroom - 23 (88.5%)
Three-bedroom - 2 (7.7%)

The units in multifamily properties in Worthing primarily provide two-bedroom rental options. The City also has some single family houses that are offered as rentals and some of these probably have three or more bedrooms.

Occupancy / Vacancy

At the time of the survey, there were no vacancies reported in the 22 market rate units that disclosed occupancy information. In general, property owners/managers indicated that good demand exists with limited unit turnover.

Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent.

In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$675
Two-bedroom	\$800-\$900
Three-bedroom	\$1,750

Tax Credit, Subsidized and Senior with Services Summaries

There are no tax credit, subsidized or senior with services rental units in the City of Worthing.

Table 18 Worthing Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Country Ridge Apartments 213 N Lily St	<u>8 - 2 bedroom</u> 8 total units	\$780 +heat, electric	No vacant units	Mix of tenants	Two 4-plexes constructed in the early 2000s and 2007. Rent includes water, sewer and garbage with tenant paying heat and electric. Amenities include dishwasher, microwave, in-unit laundry hookup and 1-car garage. Units have 880 sf and 1 bathroom. Owner reported full occupancy with many long-term tenants and a waiting list for occupancy. Most working tenants are commuters.
Duplex	<u>2 - 3 bedroom</u> 2 total units	\$1625 +utilities	No vacant units	Mix of tenants	New duplex that opened for occupancy in July 2022 - units were occupied in August. Tenant pays all utilities in addition to rent. Units are 1-level ranch design with attached 1-car garage. Amenities include dishwasher and in-unit laundry. Units have 1245 sq ft and 2 bathrooms.
Johnson 4-plex	<u>4 - 2 bedroom</u> 4 total units	N/A plus utilities	N/A	N/A	Owner was unwilling to provide updated information in 2023 survey - information provided is from prior survey. Market rate four-plex constructed in 2006. Tenant pays utilities in addition to rent.
Krump Apartments	<u>8 - 2 bedroom</u> 8 total units	\$800 plus utilities	No vacant units	Mix of tenants	Two four-plexes constructed in late 1990s and late 2000s. Tenant pays most utilities in addition to rent. Full occupancy and good demand reported with open units filling quickly. Most working tenants are commuters.
Molstad 4-plex 101 E 3rd	<u>1 - 1 bedroom</u> <u>3 - 2 bedroom</u> 4 total units	\$600 \$700 +utilities	No vacant units	Mix of tenants	Four-plex constructed in mid-1990s. Tenant pays all utilities. Amenities include detached garage parking. Owner reported full occupancy and mix of tenants including local work force and retirees.

Source: Community Partners Research, Inc.

Net Household Growth in the Sioux Falls MSA

Over the last few decades, the Sioux Falls MSA has grown at a rapid rate. Between the 2010 Census and the 2020 Census there were a substantial number of households that were added in Sioux Falls and in many of the smaller cities in Minnehaha and Lincoln Counties. The following table examines growth in numeric and percentage terms. The listed cities have been ordered by the numeric household growth that occurred over the period.

Table 19 Household Growth by Jurisdiction: 2010 to 2020				
City	2010 Census	2020 Census	Numeric Growth	Percentage Growth
Sioux Falls	61,707	78,405	16,698	27.1%
Harrisburg	1,423	2,268	845	59.4%
Brandon	3,118	3,888	770	24.7%
Tea	1,254	1,897	643	51.3%
Hartford	913	1,218	305	33.4%
Dell Rapids	1,388	1,551	163	11.7%
Baltic	389	458	69	17.7%
Crooks	431	476	45	10.4%
Garretson	449	482	33	7.3%
Worthing	325	329	4	1.2%
MSA	83,677	109,218	25,541	30.5%

Source: US Census

Between in 2010 and 2020, the MSA added more than 25,500 households, for an increase of 30.5%. More than 65% of this household growth occurred within the City of Sioux Falls.

The remainder of the region’s household growth was shared between multiple jurisdictions within the 4-County MSA, but Harrisburg, Brandon, Tea and Hartford captured the largest numeric share of household growth outside of Sioux Falls. Together, these four jurisdictions, along with Sioux Falls, accounted for more than 75% of all household growth in the MSA.

The City of Worthing added 4 households over the decade, representing less than 0.02% of the MSA’s net household gain during this time.

MSA Housing Unit Construction Activity: 2010 to 2022

The U.S. Census Bureau collects building permit issuance information from individual cities, towns and townships. Annual housing construction summary information is available for the combined jurisdictions that form the Sioux Falls MSA. This represents a four-county area of Minnehaha, Lincoln, McCook and Turner Counties. The total unit production for 2022 was identified as “preliminary” at the time of the research for this Update and may change.

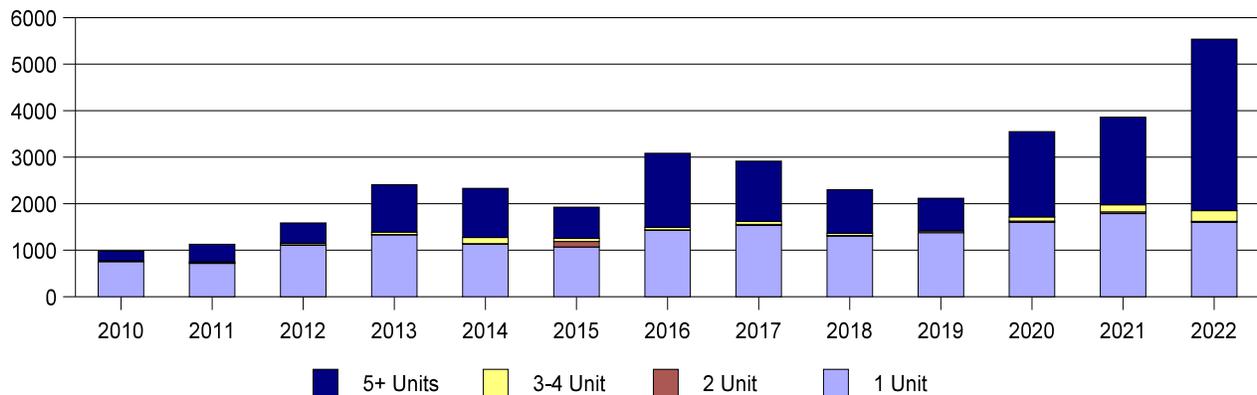
It is important to note that the Census Bureau’s annual totals may differ from other information in this Update, which may be collected directly from individual jurisdictions. However, the Census Bureau reports do provide some perspective on housing construction within the larger MSA. Census Bureau annual totals for the City of Worthing are also provided for comparison.

Housing construction activity in Worthing has represented a very small share of all activity in the Sioux Falls MSA in recent years. From 2010 through 2022 the City reported that 20 new housing units were built in Worthing which represented approximately 0.06% of all MSA activity.

Table 20 Worthing and MSA Housing Unit Construction Activity - 2010 to 2022										
Year	City of Worthing					Sioux Falls MSA				
	Single Family	Two Family	3 to 4 Family	Multifamily	Total	Single Family	Two Family	3 to 4 Family	Multifamily	Total
2022	3	0	0	2	5	1,600	22	229	3,687	5,538
2021	3	0	0	0	3	1,788	36	153	1,882	3,859
2020	3	0	0	0	3	1,597	30	89	1,834	3,550
2019	3	0	0	0	3	1,376	10	28	705	2,119
2018	0	0	0	0	0	1,306	12	46	938	2,302
2017	0	0	0	0	0	1,533	22	67	1,292	2,914
2016	2	0	0	0	2	1,431	6	58	1,589	3,084
2015	2	0	0	0	2	1,069	120	67	670	1,926
2014	0	0	0	0	0	1,134	8	131	1,057	2,330
2013	1	0	0	0	1	1,330	6	52	1,021	2,409
2012	0	0	0	0	0	1,104	12	36	435	1,587
2011	0	0	0	0	0	716	16	19	378	1,129
2010	1	0	0	0	1	755	8	111	207	1,081
Total	18	0	0	2	20	16,739	308	1,086	15,695	33,828

Source: U.S. Census Bureau; Community Partners Research, Inc.

MSA Annual Housing Unit Construction: 2010 to 2022

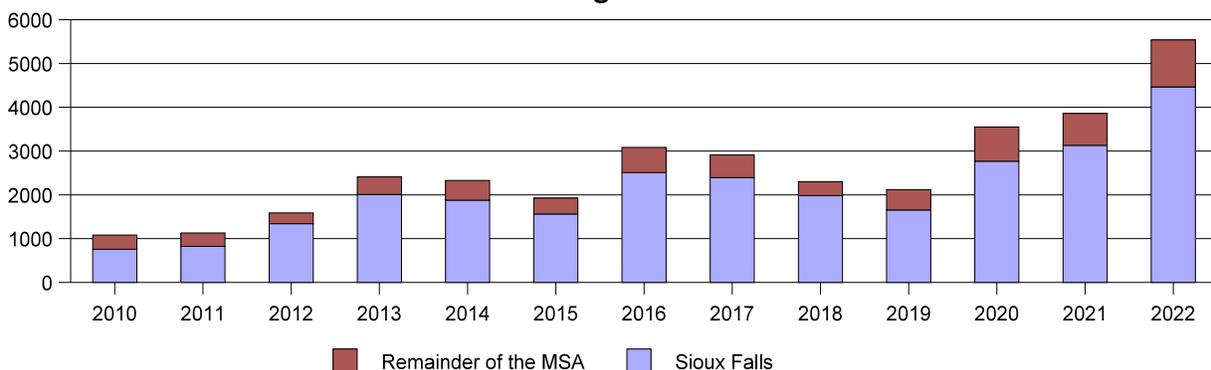


According to Census Bureau reports, the years 2022 and 2021 represented the highest years for new housing unit production in the MSA over the 13-year period reviewed. In 2022, preliminary reports indicated that more than 5,500 total housing units were permitted.

The permits for 2022 were distributed in all structure types, but the year-to-year increase from 2021 was due to very strong production of multifamily units. Approximately 29% of all permitted units in 2022 were in one unit structures and nearly 67% were in multifamily projects with five or more units per structure. The remaining units were in structures with between two and four residential units.

As the primary jurisdiction in the MSA, the City of Sioux Falls accounts for a large majority of the units constructed annually. While year-to-year variation exists, in recent decades, Sioux Falls has typically represented between 70% or more 86% of the annual MSA construction activity. Based on preliminary reporting for 2022, Sioux Falls represented nearly 81% of the MSA’s construction unit total, according to the Census Bureau.

Sioux Falls/MSA Annual Housing Unit Construction: 2010 to 2022



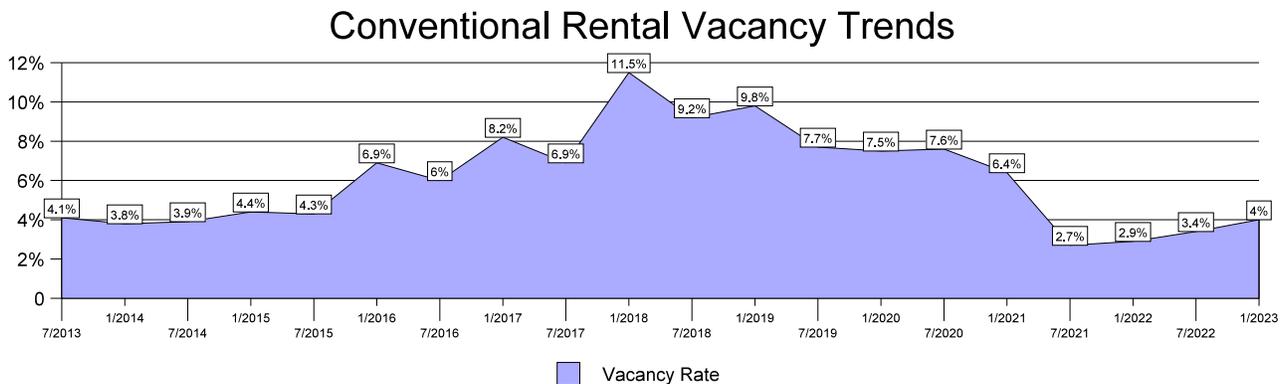
Regional Rental Vacancy Rates

The South Dakota Multi-Housing Association has tracked rental housing vacancy information for the Sioux Falls area for many years through a semiannual survey. This is an excellent source of information that not only provides a current picture of rental housing occupancy, but also a perspective on longer-term trends.

Conventional Market Rate Housing

The most recently completed vacancy survey is from January 2023. This survey found a vacancy rate of 4.0% in conventional market rate housing. The survey included nearly 15,900 conventional units and found just 629 vacancies. Although this was an area-wide survey, including communities that are within a 20-mile radius of Sioux Falls, a very large majority of the reporting units were located within the Sioux Falls zip codes.

The following chart presents the Multi-Housing Association vacancy calculations dating back to the July 2013 to provide a 10-year history for conventional rental housing.



While the most recent survey does show a slight increase in the conventional rental vacancy rate when compared to the prior two surveys, the reported vacancy rate of 4.0% is still relatively low by historic standards. Over the past 20 surveys, the vacancy rate has been below 4% only five times in this market segment.

A big drop in the vacancy rate occurred in 2021, with a 6.4% in January which then moved to only 2.7% by July 2021. Since that time it has been gradually increasing.

A general standard for rental housing vacancy is that a rate up to 5% is considered acceptable. A modest level of vacancy is desirable to allow tenant movement in the market by providing choices for prospective renters. It also allows a community the chance to grow, as new households moving into the area can readily locate a living unit. In Sioux Falls, a vacancy rate above 5% would not be surprising for individual surveys, as large-scale unit construction can occur which can temporarily cause an oversupply of units.

As evident in the previous chart, past history shows that the Sioux Falls market has had the ability to “self-correct”. People interviewed in past studies in the area have cited the cyclical nature of rental production in Sioux Falls. As the vacancy rate has risen, construction activity in subsequent years tends to diminish. As vacancy rates begin to fall, it has been typical to see an above-average level of construction.

Based on the building permit reporting presented previously from the Census Bureau, the number of multifamily units permitted in the MSA was below average in 2018 and 2019, probably in response to very high vacancy rates during those years. Multifamily production then began to increase in 2020 and 2021. The preliminary reporting from 2022 points to the largest production of new multifamily units over the past 13 years. While vacancy rates have been low, the impact of the above-average construction in 2022 may be starting to be reflected as more units enter the market in 2023, and vacancy rates may continue to increase as the next few surveys are completed.

Income-Based Housing Vacancy Rates

The large majority of the units in the Multi-Housing survey are conventional rentals. However, different types of income-restricted housing are also included. These units include moderate rent properties constructed through the federal low income housing tax credit program and federally subsidized low income housing referred to as “HUD units” in the reports.

Since the start of 2018, the vacancy rate in tax credit housing has stayed above 5%, and in many surveys has been above 7%. In the January 2023 survey, tax credit units had a vacancy rate of 6.1%, compared to the conventional housing vacancy rate of 4.0%.

HUD units have tended to maintain a low rate of vacancy over time. In the most recent report, the vacancy rate for HUD units was only 1.4%. With the exception of one survey in January 2020, when the HUD vacancy rate was at 6.6%, this very affordable segment has maintained a vacancy rate below 5%.

Although the Sioux Falls MSA generally performed well during the global health pandemic, presumably the impact had caused some decrease in incomes for some MSA households. This potentially increased demand for income-restricted tax credit and deep subsidy rental housing.

Vacancy Rates Outside of Sioux Falls

The Multi-Housing Survey does collect some rental data from units that are outside of the City of Sioux Falls, but within a certain radius. Information is provided by zip code for communities in the Sioux Falls region, including Worthing.

In the January 2023 survey, 9 conventional rental units were reported in Worthing and all were occupied. The City does not have any income-restricted tax credit or subsidized housing.

Employment and Local Economic Trends

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited. Much of the household growth that has occurred in the Sioux Falls MSA in the past decade was the direct result of job opportunities that were available, especially in the City of Sioux Falls. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Major employers in Sioux Falls with more than 1,000 employees include:

- ▶ Sanford Health
- ▶ Avera
- ▶ John Morrell & Company
- ▶ Wells Fargo
- ▶ Sioux Falls School District
- ▶ Citibank
- ▶ Hy-Vee Food Stores
- ▶ Sioux Valley Clinic
- ▶ Evangelical Lutheran Good Samaritan Society
- ▶ Midwest Coast Transport
- ▶ WalMart/Sam's Club
- ▶ First PREMIER Bank/PREMIER Finance Bankcard
- ▶ City of Sioux Falls

Work Force and Unemployment Rates

Employment information is available for the Sioux Falls MSA. Information has been reviewed back to the year 2010. Data in the tables that follow have been obtained from the South Dakota Department of Labor.

Table 21 Sioux Falls MSA Annual Labor Statistics: 2010 to 2022						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - MSA	Unemployment Rate - SD	Unemployment Rate - US
2010	133,585	127,238	6,347	4.8%	5.0%	9.6%
2011	134,281	128,513	5,768	4.3%	4.7%	8.9%
2012	136,615	131,430	5,185	3.8%	4.3%	8.1%
2013	138,817	134,408	4,409	3.2%	3.8%	7.4%
2014	141,705	137,621	4,084	2.9%	3.4%	6.2%
2015	144,400	140,650	3,750	2.6%	3.1%	5.3%
2016	146,949	143,305	3,644	2.5%	3.0%	4.9%
2017	150,020	145,981	4,039	2.7%	3.2%	4.4%
2018	152,316	148,354	3,962	2.6%	3.0%	3.9%
2019	155,468	151,110	4,358	2.8%	3.0%	3.7%
2020	156,605	149,880	6,275	4.3%	4.6%	8.1%
2021	159,995	156,025	3,970	2.5%	2.8%	5.3%
2022	163,101	159,830	3,271	2.0%	2.3%	3.7%

Source: South Dakota Department of Labor

The Sioux Falls MSA continues to be strong for labor force and job growth. Over the time period from 2010 through 2022, the size of the resident labor force increased by more than 29,500 people, or an increase of more than 22%. The employed resident work force increased by more than 32,600 people during this same time, for an increase of nearly 26%.

The MSA’s unemployment rate has generally decreased over this longer time period and pre-pandemic in 2019 was at only 2.8%. The Covid pandemic then impacted statistics for 2020, although the annual employment rate was still only 4.3%. By 2022, the MSA’s unemployment rate had dropped to only 2%.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages in 2021, the last full year of data. This information is for all of the MSA.

Table 22 MSA Average Annual Wages - 2021		
Industry	Total Employment	Average Weekly Wage
Total All Industry	157,592	\$1,102

Source: South Dakota Department of Labor

The average weekly wage for all industry in 2021 was \$1,102 for the Sioux Falls MSA. At full-time employment this would yield an annual average wage of more than \$57,300.

Commuting Patterns of Worthing Residents

Information is available on area workers that commute for employment. The best information is from the American Community Survey, and has been examined for the City of Worthing. The following table examines City residents that traveled to work and excludes people that work at home.

Table 23 Commuting Times for Worthing Residents - 2021		
Travel Time	Number	Percent
Less than 10 minutes	44	9.6%
10 to 19 minutes	126	27.6%
20 to 29 minutes	140	30.7%
30 minutes +	146	32.0%
Total	456	100%

Source: American Community Survey

A majority of Worthing’s residents were driving 20 minutes or more for their primary employment in 2021. Approximately 37% of residents were traveling less than 19 minutes, while nearly 63% were traveling 20 minutes or more, often consistent with employment in Sioux Falls.

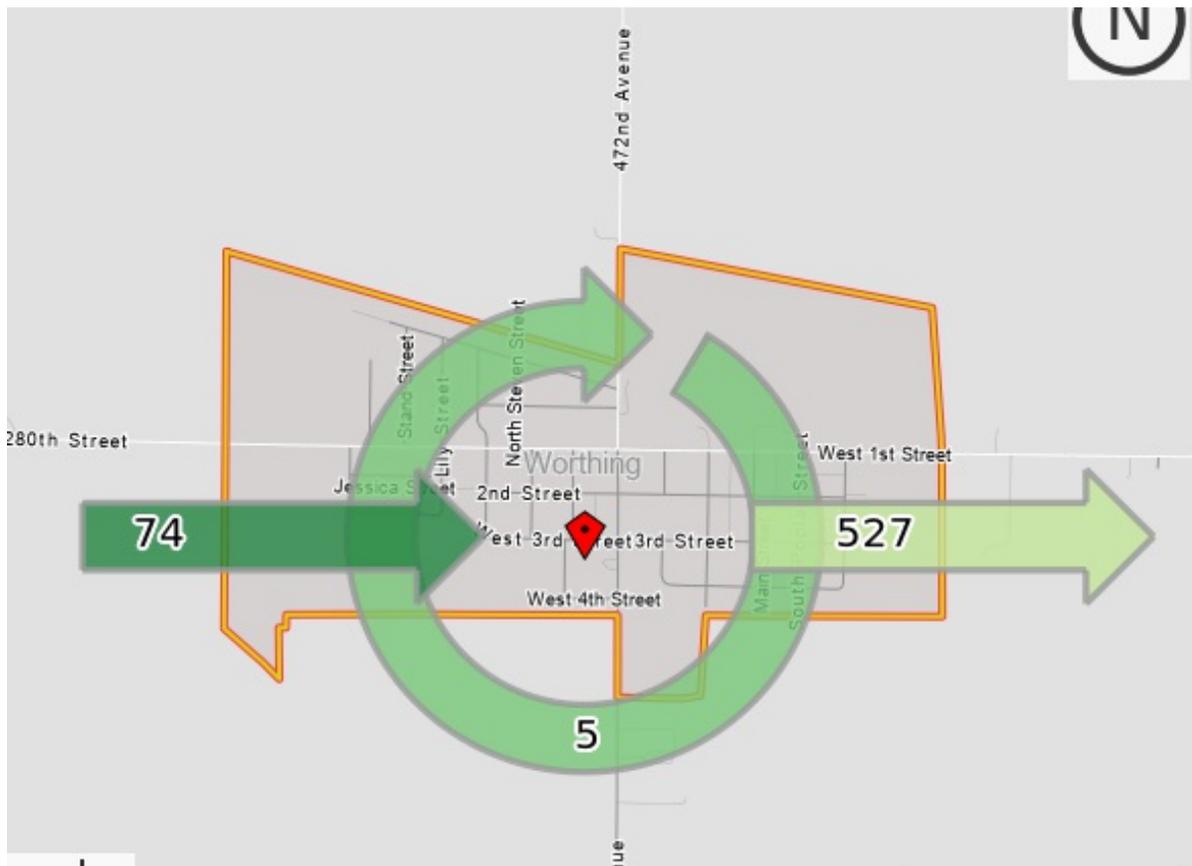
Due to the limited number of people with a job based in Worthing, no information exists in the American Community Survey for inbound commuters to the City.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2019 but provides a further breakdown of worker movement.

According to the report for Worthing, there were 79 people that were employed within the City in 2019. Nearly all of these city-based employees did not live in Worthing, with 74 people commuting in for their job. The primary jurisdictions supplying workers to Worthing were Sioux Falls and Lennox.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 532 employed Worthing residents, but 527 of these people worked outside the community. The primary identified destination for employment was Sioux Falls. Overall, nearly 59% of Worthing's residents that left the City were commuting to Sioux Falls. Other identified locations included Lennox, Delapre Township and Harrisburg.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Worthing, as well as Lincoln County and the entire Sioux Falls MSA. Although Worthing is a small community with limited growth since 2010, the City's location near a fast-growing metropolitan area gives it significant potential for adding population and households in the future.

Based on the 2020 Census, Worthing added 50 residents but only four households between 2010 and 2020. The population growth was attributed to more people living in the average household, such as an increase of families with children.

The very limited household growth that occurred in the most recent decade was a significant change from past patterns. Between 2000 and 2010 the City added 119 households, and then added 78 households in the 1990s. Based on the 2020 Census count, growth of resident households in Worthing largely stopped after 2010.

In numeric terms, the City added an average of less than one household per year after 2010. However, over the 30-year period from 1990 to 2020, the annual average for household growth was nearly seven households per year.

Worthing is located in Lincoln County, the second largest of the four counties that form the Sioux Falls Metropolitan Statistical Area (MSA). Lincoln County has had a pattern of very rapid growth, adding more than 8,200 households between 2010 and 2020. The entire MSA added more than 25,500 households between 2010 and 2020.

While the MSA has consistently added a large number of households annually, most of the household growth since 2010 was directly attributable to the City of Sioux Falls. More than 65% of the MSA's household increase was within Sioux Falls. More than 75% of the MSA's household growth was due to the five cities of Sioux Falls, Harrisburg, Brandon, Tea and Hartford. Worthing represented approximately 0.02% of the growth in MSA households between 2010 and 2020.

Findings on Projected Growth

This Study has examined projections from established national sources, including both Applied Geographic Solutions (AGS) and Esri. In the opinion of the analysts, the household projection from Esri represents the best indicator of expected household growth in Worthing. This source is projecting that the City will add 27 households over the 5-year projection period, or an annual average of approximately five to six households in a typical year.

While this growth forecast could prove to be conservative, if achieved it would be a significantly greater level of numeric growth than the City between 2010 and 2020.

It is important to state that there may be some structural barriers that will limit household growth in Worthing over the next five years. The City has infrastructure limitations related to its municipal sewer system. Unless improvements are made, adding new residential sewer connections will be limited.

Projections for Lincoln County point to an average annual growth of nearly 740 households per year going forward. The Lincoln County portion of Sioux Falls, along with Harrisburg and Tea, have historically captured most of the Countywide household growth.

Summary of Growth Projections by Age

The Demographic section of this Study presented projection information on anticipated changes by age group from 2022 to 2027 in Worthing. These projections have been generated by Esri. While overall growth of 27 households could prove to be conservative in Worthing, there are also issues related to municipal infrastructure capacity that could prevent even this level of growth from actually occurring.

These projections represent an informed prediction of changes in the near-future for Worthing. However, as a single jurisdiction within a large MSA, the actual growth patterns in the City will also be impacted by the larger trends within the MSA.

<u>Age Range</u>	<u>Projected Change in Households 2022 to 2027</u>
15 to 24	7
25 to 34	-3
35 to 44	-3
45 to 54	17
55 to 64	-7
65 to 74	8
75 and older	<u>8</u>
Total	27

In Worthing, the largest projected growth of any age range is expected from households age 45 to 54 years old. This reflects both the aging of existing resident households, and the movement of new households into the community. Worthing has attracted a large number of younger families in the past and going forward these projections expect a net increase of 18 households age 54 and younger.

There is also growth projected within the senior citizen age groups, age 65 and older. By the year 2027 nearly all of the large baby boom generation will be age 65 or older. However, with some projected decrease in the near-senior range, the net overall growth from households age 55 and older is projected to be fewer than 10 total households.

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented on the previous page, the changing age composition of Worthing's population through the five-year time period will have an impact on demand for housing.

Age 24 and Younger - The projections used for this Study expects the youngest adult age range to add approximately seven households through the year 2027. Past tenure patterns indicate that a majority of the younger households in Worthing will rent their housing. Some growth in the number of households in this age range should mean that rental demand from younger households will increase during the projection period.

25 to 34 Years Old - The projections show a small decrease of three households in this age cohort by 2027. Within this age range households often move from rental to ownership housing. Relative stability in the number of households within this age range will mean stable to slightly decreased demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort is also projected to lose three households between 2022 and 2027 in Worthing. Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house. Relative stability in the number of households within this age range will mean stable to slightly decreased demand for these home ownership opportunities.

45 to 54 Years Old - The projections for this age range show a significant increase of 17 households in this age range. This age group historically has had a high rate of home ownership, and will often look for trade-up housing opportunities. With the projected growth in this age group, the demand for trade-up housing from this age range should increase over the next five years.

55 to 64 Years Old - The projections show an expected decrease of seven households in this 10-year age range by the year 2027. This age range has traditionally had a high rate of home ownership in Worthing. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters. Some households in this age range are also seeking trade-up housing. However, a decrease in the number of households in this age range will impact near-term demand.

65 to 74 Years Old - Household growth is expected in Worthing within this age range, with the projections showing an increase of eight households by the year 2027. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 Years and Older - A gain of eight households is projected among older seniors. In this age range, households will often seek high quality rental housing or senior housing with services options.

These demographic trends will be incorporated into the recommendations that follow later in this section.

Strengths for Housing Development

The following strengths for the City of Worthing were identified through statistical data, local interviews, research and on-site review of the local housing stock and from the 2014 Worthing Comprehensive Housing Study.

- ▶ **Worthing serves as a small regional center** - Worthing provides employment opportunities, retail/service options, professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced newer housing stock** - The City of Worthing has a stock of affordable, existing houses. Because of strong residential construction in the late 1990s and early 2000s, Worthing has a higher percentage of newer, quality homes than most cities its size. Our analysis shows that the City's median home value based on sales in 2022 is approximately \$251,000. This existing stock, when available for sale, provides a relatively affordable option for home ownership in Sioux Falls area.
- ▶ **Adequate land for development** - Worthing has adequate land available for both residential and commercial/industrial development.
- ▶ **Educational system** - A K-5 elementary school is located in Worthing.
- ▶ **Commercial development** - Worthing's commercial district is adequate to meet most daily needs.
- ▶ **Worthing Economic Development Corporation (EDC)** - In the past, the Worthing EDC has been active in promoting economic development in the City and is planning to take an active role in economic development, community development and housing in the future.
- ▶ **Population and Household Growth** - The City of Worthing has had population and household growth since at least 1990, and is projected to continue growing over the next five years.
- ▶ **Worthing is located near Sioux Falls** - Worthing is located approximately 10 miles from Sioux Falls. Sioux Falls provides employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a regional center.

- ▶ **Sioux Falls MSA market** - On average, over the past 13 years, more than 2,600 housing units were constructed in the Sioux Falls MSA annually. Worthing has the opportunity to capture a portion of this market.
- ▶ **Housing developers** - In the past, developers have been active in subdivision development, rental housing, and single family development.
- ▶ **Industrial Park** - The City of Worthing has an Industrial Park and several businesses are located in the park.
- ▶ **Park / Recreational Area** - The City of Worthing developed a new park/recreational area that provides a variety of leisure and recreational opportunities.

Barriers or Limitations to Housing Activities

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in Worthing.

- ▶ **Age and condition of the housing stock** - Although Worthing has a significant number of newer homes, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The City's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Close proximity to Sioux Falls** - Sioux Falls is located approximately 10 miles from Worthing. Although benefitting from its location near Sioux Falls, many households desire or need to live in a regional center for employment, health care, entertainment, retail, etc.
- ▶ **Lack of rental housing** - Worthing's rental housing stock is very limited and households seeking rental housing in the City have few options.
- ▶ **Slowdown in new housing construction** - Worthing experienced significant new housing construction in the 1990s and early 2000s. However, only 18 houses have been constructed in Worthing from 2010 through 2022, or an average of less than two new houses per year.
- ▶ **Limited commercial options** - Worthing has commercial and retail opportunities to meet most daily needs, but it has limited other retail and commercial options.
- ▶ **Staff capacity limitations** - Although the City has access to several housing agencies, it is difficult to develop and implement housing initiatives with limited staff resources.
- ▶ **Lot Development** - Based on the number of housing units that are projected to be constructed over the next five years, the City of Worthing has a shortage of residential lots.
- ▶ **Infrastructure improvements** - The City's sewer system will need improvements to accommodate subdivision development.

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Worthing. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Worthing if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Worthing will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Worthing has many assets including a K-5 school, employment opportunities, a Downtown Commercial District, two newer subdivisions, recreational opportunities, etc. These are strong assets that make Worthing a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the South Eastern Council of Governments, the South Eastern Development Foundation, Inter-Lakes Community Action Partnership, the Rural Office of Community Services, Grow South Dakota and the Canton Housing and Redevelopment Commission. These resources should be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Worthing have been formulated through the analysis of the information provided in the previous sections and include 18 recommendations. The findings/recommendations have been developed in the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family Housing Development**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Issues**

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 12 to 14 general occupancy market rate rental units
2. Promote the development/conversion of three to four affordable market rate rental housing units
3. Monitor the need for subsidized rental housing units
4. Consider the development of eight to 10 senior independent/light services units
5. Develop a downtown mixed-use commercial/housing project
6. Utilize the Housing Choice Voucher Program

Home Ownership

7. Continue to utilize and promote all programs that assist with home ownership
8. Develop a purchase/rehabilitation program

Single Family Housing Development

9. Lot Availability/Lot Development
10. Strategies to encourage residential sales and new home construction in Worthing
11. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
12. Promote twin home/townhome development

Housing Rehabilitation

13. Promote rental housing rehabilitation
14. Promote owner-occupied housing rehabilitation efforts

Other Housing Issues

15. Continue to acquire and demolish dilapidated structures
16. Create a plan and a coordinated effort among housing agencies
17. Strategies for downtown redevelopment
18. Develop home ownership and new construction marketing programs and strategies

Worthing - Rental Housing Development

Rental Housing Development

Overview: In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable” when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most South Dakota communities.

From 2010 to 2022, two rental units were constructed in Worthing. The two units are in a duplex and provide market rate general occupancy housing. In addition to the new rental units, some single family homes were converted from owner-occupied to rental use and vice versa from 2010 and 2022.

Demand for new rental housing is typically generated from three factors:

- ▶ Growth from new households
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Esri’s household projections for Worthing expect continued household growth, although much of this growth will result in demand for owner-occupied housing. From 2023 to 2027, it is projected that there will be approximately a 27 household gain in Worthing. It is projected that approximately 30% of these households will be rental households, thus, there will be a demand for approximately eight additional rental units due to household growth over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose approximately five units over the next five years. As a result, approximately five additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Also, a few homes that are currently being rented may be converted to owner-occupancy.

Some pent-up demand also exists. As part of this Study, a rental survey was conducted. A total of 22 rental units in four multifamily buildings were contacted. The survey found no vacant units in the 22 general occupancy market rate units. There are no subsidized or senior with services rental projects in the City of Worthing.

We identified pent-up demand for conventional market rate rental units and senior independent/light services units.

These three demand generators, after factoring current vacancy rates, show a need for 23 to 28 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2023 to 2027.

▶ General Occupancy Market Rate	12-14 units
▶ Affordable/Conversions	3-4 units
▶ Senior Independent/Light Services	<u>8-10 units</u>
Total	23-28 units

1. Develop 12 to 14 general occupancy market rate rental units

Findings: All of the rental housing in the City of Worthing can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the City is approximately 35 total units in 2023. This is 10.2% of the City’s total housing stock. This is a very low rental rate in comparison to other small South Dakota cities.

Of the market rate rental units we surveyed, we found no vacancies. The owners and managers of rental properties, reported very high occupancy rates and strong demand for rental housing.

There is a variation in rental rates in the market rate segment in the City of Worthing. The existing rents range from \$675 for a one-bedroom unit to \$1,750 for a three-bedroom unit.

In the 2014 Worthing Housing Study, we recommended the development of 12 to 14 market rate rental units. Since the Study, from 2015 to 2022, two rental units have been constructed. Also, some single family homes have converted from owner-occupied to rental units and vice versa.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of between 12 to 14 market rate rental units over the next five years.

Based on our research, there is a significant need for larger rental units, thus, the majority of the new units constructed over the next five years should be two and three-bedroom units.

Town home-style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. It would be advantageous for new units to be constructed in smaller project phases. This strategy allows the new units to be absorbed into the market.

There are two market rate rental segments in Worthing. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized or tax credit rental units, but affordability is still an issue.

There is a need to construct both types of market rate rental housing. There is a wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, financial assistance, such as land donations, tax abatement, tax deferments, tax increment financing and other resources may be needed. Also, SDHDA has programs to assist with rental housing development including the Dakota Plex Program.

Recommended unit mix, sizes and rents for the Worthing Market Rate Housing Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	3-4	650 - 800	\$800 - \$950
Two Bedroom	7-8	850 - 1,050	\$900 - \$1,250
Three Bedroom	2	1,100 - 1,250	\$1,200 - \$1,600
Total	12-14		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2023 dollars.

If possible, it would be advantageous to keep the rents for some of the rental units at or below the rent limits for the Housing Choice Voucher Program. This would expand the number of households that could afford the proposed rents. The current rent limits for the Voucher Program are:

- ▶ One-bedroom - \$872
- ▶ Two-bedroom - \$1,043
- ▶ Three-bedroom - \$1,401

2. Promote the development/conversion of three to four affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop market rate rental units in Worthing. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Some of Worthing’s renter households have an annual income below \$30,000. These households would need a rental unit at \$750 per month or less.

There is evidence that Worthing has lost rental housing over the years due to redevelopment or due to deterioration and demolition. Part of the need for additional rental units in Worthing is to provide for unit replacement. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards are made to small cities for small rental projects.

Recommendation: We encourage the City to promote the development/conversion of more affordable rental units. A goal of three to four units over the next five years would help to replace affordable housing that has been lost.

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in existing buildings, or through the purchase and rehabilitation of existing single family homes. Several single family homes have been rehabilitated for rental housing by local individuals.

The estimated prevailing gross rent range for rental units in Worthing is typically between \$675 and \$900 per month. Creating some additional units with contract rents below \$750 per month would help to expand the choices available to a majority of the City's renter households.

It is probable that the proposed rent structure for some units could only be obtained with financial commitments from sources such as tax increment financing or property tax abatement/deferment from the City, and other financial resources from funding agencies such as the South Dakota Housing Development Authority.

3. Monitor the need for additional subsidized rental housing units

Findings: The term subsidized rental housing, as used in this Study, refers to rental units that have been constructed to serve low and moderate income people. In nearly all cases, subsidized housing has utilized federal resources that provide a "deep subsidy", allowing very low income people access to the housing at an affordable price.

The research completed for this Study found no subsidized rental projects in Worthing.

According to the American Community Survey, the 2021 American Community survey estimated that approximately 18% of the renters in Worthing were paying 35% or more of their income for rent.

Recommendation: We do not recommend the development of subsidized rental housing in Worthing at this time. The rent structure of market rate units in Worthing is relatively low, which provides affordable housing for low income households. Additionally, it is currently difficult to obtain funding for subsidized rental housing. Also, the City of Worthing, as a small city, does not have some of the services and amenities that are needed to support subsidized rental housing.

Earlier in this section we had recommended the construction of 12 to 14 market rate units. We also recommended three to four affordable/conversion market rate units. The City should monitor the need for the production of subsidized housing in the future.

4. Consider the development of eight to 10 senior independent/light services units

Findings: The City of Worthing currently has no senior with services housing. Our research for this Study also did not identify any units dedicated for seniors to live independently or for seniors that need only light services.

Recommendation: According to Esri, the City of Worthing had 70 households in 2022 in the age ranges 65 and older. By the year 2027, it is projected that Worthing will have 86 households in the 65 and older age ranges. With the small number of senior households in the City and with senior with services facilities available in surrounding communities, we are not recommending an assisted living facility offering a high level of services for seniors in Worthing at this time. However, we are recommending an eight to 10-unit independent/senior with light services project in Worthing. The project should be designed to allow seniors to live in a unit independently or to rent a unit and utilize a low level of senior services such as a noon meal and housekeeping.

The project's amenities and features should include:

- ▶ A community room
- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking
- ▶ Spacious corridor with a theme such as a street scape design

Apartment features should include:

- ▶ Eight to 10 units
 - ▶ two to three one-bedroom
 - ▶ Six to seven two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services should include:

- ▶ Noon meal
- ▶ Weekly housekeeping
- ▶ Home healthcare
- ▶ Social activities

It is estimated that 50% of the units will be occupied when the project opens and one to two additional units will be rented each following month for an absorption period of three to four months.

5. Develop a Downtown Mixed-Use Commercial/Housing Project

Findings: A mixed-use rental housing/commercial project in the downtown area could complement the City's ongoing efforts to redevelop the downtown. There should be sensitivity to the timing of the project and type of commercial tenants the project will have, to assure the project is an asset to the downtown.

New mixed use projects have been developed in several cities comparable to the size of Worthing. Some of these projects were developed because of market demand while others were developed to enhance the downtown, to introduce a new product to the market and to serve as a catalyst for downtown redevelopment.

Recommendation: We continue to recommend the development of a mixed-use building in the downtown Worthing area. There are several potential sites in the downtown area for a mixed-use project.

We recommend commercial space on the first floor rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would complement existing downtown businesses and attract people to downtown.

The rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units. Please note that these units are not in addition to the units recommended in the previous recommendations provided in this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing tax abatement, tax deferments or other local funds and land at a reduced price.

6. Utilize the Housing Choice Voucher Program

Findings: The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute approximately 30% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Voucher Program is administered in Worthing by the Canton Housing and Redevelopment Commission. There currently is a lengthy waiting list to obtain a Housing Choice Voucher.

Recommendation: Worthing rental property owners should work with the Canton Housing and Redevelopment Commission to assure that renter households are aware of the Housing Choice Voucher Program and have to the opportunity to apply for a Voucher.

Worthing - Home Ownership

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. Many of the houses in Worthing were constructed over the last 25 years and are in good condition.

The median owner-occupied home value in Worthing is estimated to be approximately \$251,000 based on 2022 sales activity. The value, age and condition of most houses in Worthing provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Worthing demographic trends shows an increasing number of households in the traditionally strong home ownership 45 to 54 age range over the next five years. Also, the first time home buyer and move-up age ranges 25 to 44 are projected to remain relatively stable. The 65 and older age ranges are also projected to add households. Some households in all age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase a home.

To assist in promoting the goal of home ownership, the following activities are recommended:

7. Continue to utilize and promote all programs that assist with home ownership

Findings: Affordable home ownership is one of the issues facing Worthing in the future. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership programs, and can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership counseling and training programs can help to address affordable housing issues. The City of Worthing has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that most of the existing stock currently is valued under the purchase price limits for home buyer assistance programs.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below-market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

Recommendation: We continue to recommend that the City of Worthing work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City of Worthing should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, and the Federal Home Loan Bank. Also, the South Eastern Development Foundation and Grow South Dakota utilize several funding sources to provide home ownership programs.

8. Develop a Purchase/Rehabilitation Program

Findings: The City of Worthing has a limited stock of older, lower valued homes, some of which may need repairs. Our analysis of recent sales activity indicates that there are a limited number of homes in Worthing that are valued at less than \$150,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

Some communities with a stock of older homes that need rehabilitation have developed a purchase/rehabilitation program. Under a purchase/rehabilitation program, the City or a housing agency purchases an existing home that needs rehabilitation, rehabilitates the home, sells the home to a low/moderate income family and provides a mortgage with no down payment, a low interest rate and a monthly payment that is affordable for the family.

In many cases, the cost of acquisition and rehab will exceed the house's after-rehab value, thus, a subsidy is needed. Although a public subsidy may be involved, the cost to rehab and sell an existing housing unit is generally lower than the subsidy required to provide an equally affordable unit through new construction.

Recommendation: We recommend that Worthing work with a housing agency to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was available.

A purchase/rehabilitation program achieves several goals. The program encourages home ownership, prevents substandard homes from becoming rental properties and rehabilitates homes that are currently substandard.

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal, it may be advantageous in some cases to directly assist low and moderate income households with purchasing and rehabilitating homes. Area housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with first-time home buyer programs to make the City's older housing a more attractive option for potential home buyers. Also, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

Additionally, there may be an opportunity for local housing agencies to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that economically can be rehabilitated and sold.

Worthing - Single Family Housing Development

Single Family Housing Development

Findings: Based on City and Census Bureau information, Worthing has experienced a significant amount of single family housing development from 2000 to 2009. During that 10-year period, approximately 97 single family owner-occupancy units were constructed in Worthing, which is an average of approximately nearly 10 owner-occupancy units constructed annually.

However, from 2010 to 2022, new construction of owner-occupancy housing units decreased. During this 13-year period, 18 units were constructed, which is an average of less than two units annually. However, over the past four years, from 2019 to 2022, an average of three units were constructed annually.

Household growth projections for Worthing indicate future demand for owner-occupancy housing construction. Household growth is projected for Worthing over the next five years. The City is expected to have growth in the 45 to 54 age range, which typically is seeking trade-up housing, and household increases in the 65 and older age ranges that are often seeking no maintenance housing options. Also, Worthing can capture a percentage of the substantial new housing construction that is forecast for the Sioux Falls MSA.

All types of housing units are needed, including starter homes, move up homes and twinhomes/townhomes. To meet expected demand, residential lots must be available for all types of housing.

It is our opinion that if the City, housing agencies, developers and builders are proactive, 22 to 28 owner-occupied housing units can be constructed or moved into Worthing annually from 2023 to 2027, which is an average of four to six new units annually.

The breakdown of our projection of 22 to 28 new owner occupied housing units annually over the next five years is as follows:

▶ Higher and Medium priced homes	12-14
▶ Affordable Homes (under \$325,000)	6-8
▶ Twin home/Town house units	<u>4-6</u>
Total	22-28

9. Lot Availability

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Worthing. Buildable lots are defined as having sewer and water available to the lots. There are approximately 10 available lots in the City's two newest subdivisions.

Additionally, there are a limited number of infill lots that are potentially available throughout the City. We do not know the status of these lots. Also, there are several dilapidated houses in the City. If these houses are demolished, the lots could potentially be suitable for new construction.

Using our projection that 22 to 28 owner-occupancy housing units will be constructed or moved into Worthing over the next five years, and with 10 lots available in Worthing, plus some in-fill lots, there is currently an inadequate supply of lots to meet projected demand.

Recommendation: With projections that 22 to 28 new owner-occupied housing units could be constructed in Worthing over the next five years, and with only 10 lots available in the City, there is not an adequate supply of lots to address the projected demand. Therefore, if expected demand comes to fruition, it will be necessary to develop additional residential lots.

To achieve the level of new home construction potential that as been identified, we would recommend the development of 20 to 24 new residential lots over the next five years based on the following:

- ▶ If possible, the site(s) for lot development should have land available for future lot development phases.
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.

- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Some lots should be available for twin home/ town home development
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City of Worthing and the Worthing Economic Development Corporation. Financial assistance such as tax increment financing, tax abatement, tax deferrals and land donations or write downs, may be necessary to make the development of lots feasible.
- ▶ It may be advantageous to develop the lots in phases.

10. Strategies to encourage residential lot sales and new home construction in Worthing

Findings: There is a small inventory of lots available in the City of Worthing. However, the capacity exists to develop additional lots, and in the previous recommendation, we have recommended additional lot development.

Recommendation: We recommend that the City of Worthing and the Worthing Economic Development Corporation coordinate efforts with the private sector to promote lot sales and housing development in Worthing.

Our recommendations to promote lot sales and housing development include:

- ▶ **Competitive pricing** - There are lots that are available in communities throughout the Region. Lot prices in Worthing will need to be competitive.
- ▶ **Plan for long-term absorption** - The research completed for this Study expects limited annual absorption of lots in Worthing over the next five years. If new residential lots are developed, it is necessary to view the lot sales and housing development as a long-term plan.
- ▶ **Generate initial activity** - Recent construction activity has been limited. To stimulate more new construction, proactive efforts, such as the sale of some lots at discounted prices, reduction of hookup and permit fees or other incentives could be provided if the buyer agrees to build a home of a certain quality and style within a specified time period. This will help create some momentum for more houses to be built.

- ▶ ***Consider developing an exclusive builder(s) relationship*** - Several lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owner(s) should require the builder to construct a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. Several lots available to an exclusive builder or developer should be explored, even if price concessions are required.
- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user-friendly.' This includes the availability of buildable lots, builders that are readily available to build custom homes, information on quality homes that could be moved into the community and City regulations that are fair and reasonable. This entire process should be as user-friendly as possible to encourage new home construction.
- ▶ ***Allow for a range of house prices*** - Lots should be available in Worthing in as wide a range of home sizes and prices as possible. This would broaden the lot buyer market.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of Worthing, the Worthing Economic Development Corporation and lot owners should develop a marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Worthing and its amenities should be marketed.
- ▶ ***Consider partnerships that share and split financial risk to construct spec homes*** - Spec houses could potentially attract buyers that are not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and

features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the City to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the up-front development costs.

- ▶ **Governors Homes** - Governors homes are an affordable option for households and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.' The South Eastern Council of Governments may have the capacity to move governors homes into Worthing in the future.
- ▶ **Modular Homes and modular home lots** - Modular homes provide affordable housing opportunities for low and moderate income households. Additional lots for modular homes would expand affordable ownership opportunities.
- ▶ **In-fill lot Home Development** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.
- ▶ **South Dakota Housing Development Authority Programs (SDHDA)** - SDHDA has housing programs available to assist developers, builders and home buyers.
- ▶ **Publicly owned subdivision** - Private developers often have little incentive to develop lower-priced lots and houses. A possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes.

11. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing

Findings: There are several housing agencies and nonprofit groups that have the capacity to construct new housing in Worthing, including the Worthing Economic Development Corporation, Grow South Dakota, Interlakes Community Action Partnership and Habitat of Humanity.

Interlakes Community Action Partnership administers the Mutual Self Help Program. The Mutual Self Help Program works with three or more households to construct new homes. The households work together to construct the homes.

Recommendation: We encourage the City of Worthing to actively work with economic development and housing agencies and nonprofit groups to develop affordable housing.

Households should be encouraged to utilize the Governor’s Program and the development of a Mutual Self Help Program should be considered. The South Eastern Development Foundation provides loans to purchase and set up Governors Homes. The development of three affordable homes by a housing agency or nonprofit group over the next five years would be a realistic goal.

12. Promote twin home/town house development

Findings: Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options.

In many cities the size of Worthing, approximately 15% to 20% of the new ownership housing constructed are twinhomes/townhomes. Since 2010, no owner-occupancy twin homes or town house units have been constructed in Worthing.

In 2022, Worthing had 70 households in the 65 and older age ranges. These age ranges are expected to increase by approximately 16 households in Worthing over the next five years. Household growth among empty-nester and senior households should result in increased demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product’s ability to gain additional market acceptance among the households in the prime target market, and among other households.

Recommendation: It is our projection that approximately four to six new owner-occupancy twin home/town house units could be constructed in Worthing over the next five years. Our projection is based on the availability of an ideal location for twin home development as well as high quality design and workmanship.

We recommend that for twin home development to be successful, the following should be considered:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a significant number of homes which provides security
- ▶ Homes at a price that is acceptable to the market

The City of Worthing's role could include assuring that adequate land is available for development and that zoning allows for attached housing construction. The City or the Worthing Economic Development Corporation could also provide financial assistance in the form of land write downs, tax increment financing, tax abatement, tax deferments, etc.

It may be advantageous to meet with a group of empty nesters and seniors who are interested in purchasing a twin home to solicit their ideas.

Worthing - Housing Rehabilitation

Housing Rehabilitation

Findings: The City of Worthing has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

It is our opinion that Worthing and area housing agencies will need to make housing rehabilitation a priority in the future. New housing construction that has occurred is often in a price range that is beyond the affordability level for many Worthing households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation.

The following specific recommendations are made to address the housing rehabilitation needs.

13. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Worthing has approximately 35 rental units in 2023. These rental buildings are primarily in four-plexes, duplexes and single family homes. Some of the rental units could benefit from rehabilitation as approximately 65% of these rental units are more than 40 years old and may need improvements.

It is difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing.

Recommendation: The City of Worthing should work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, Grow South Dakota, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

14. Promote owner-occupied housing rehabilitation efforts

Findings: The affordability and quality of the existing housing stock in Worthing will continue to be an attraction for families that are seeking housing in Worthing. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Although many of the owner-occupied single family homes in Worthing are less than 25 years old, there are homes in Worthing's older core area that need repairs. Approximately 21% of the single family homes in Worthing are more than 40 years old. Without rehabilitation assistance, the affordable housing stock will shrink in Worthing.

Recommendation: We continue to recommend that the City of Worthing seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, Interlakes Community Action Partnership and the Rural Office of Community Services are potential funding sources.

Interlakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Self Help Rehabilitation Program and programs utilizing Home funds. Also, the Rural Office of Community Services, Inc., provides Weatherization funds for Worthing and Lincoln County.

Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Worthing households to utilize these housing rehabilitation programs.

Worthing - Other Housing Initiatives

Other Housing Initiatives

15. Continue to acquire and demolish dilapidated structures

Findings: Several single family homes have been identified in the City of Worthing's older core neighborhood, which surrounds the downtown, that are dilapidated and too deteriorated to rehabilitate. There are also single family houses that need major repair and some of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished when feasible.

Recommendation: The City of Worthing should continue to work with property owners on an ongoing basis to demolish dilapidated homes. The appearance of the City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

Additionally, the City of Worthing should maintain an inventory of structures that may be candidates for future acquisition. Also, an inventory of in-fill lots for future development should be maintained.

Some cities are developing ordinances that give cities more authority to require property owners to demolish vacant, dilapidated homes.

16. Create a plan and a coordinated effort among housing agencies

Findings: The City of Worthing will continue to need staff resources in addition to existing City staff to plan and implement many of the housing recommendations advanced in this Study. The City of Worthing has access to the South Eastern Council of Governments, the USDA Rural Development Office, the South Dakota Housing Development Authority, Interlakes Community Action Partnership, the Rural Office of Community Services, the South Eastern Development Foundation, Grow South Dakota and the Sioux Metro Growth Alliance. These agencies all have experience with housing and community development programs.

Recommendation: The City of Worthing has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the City prioritize the recommendations of this Study and develop a plan to address the identified housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the City of Worthing to continue to look for opportunities to work cooperatively with other area cities to address housing issues. With the number of small cities in the Region, and limited staff capacity at both the city and county levels, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

17. Strategies for Downtown Redevelopment

Findings: Downtown Worthing has buildings that have been renovated and have high quality commercial space. There are also buildings that have not been maintained and are substandard. This recommendation provides an outline of actions that could be taken to redevelop the downtown, to maximize the usage of downtown buildings, to promote new downtown businesses.

When households are selecting a city to purchase a home in, they often determine if the city's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

Recommendation: We recommend that the City of Worthing and Worthing Development Corporation undertake the following actions for downtown Worthing:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)

- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruiting new businesses

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City of Worthing
 - ▶ Federal Home Loan Bank
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Tax deferments
 - ▶ Worthing Economic Development Corporation
 - ▶ Funds from South Dakota State Agencies

- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Worthing
 - ▶ Worthing Economic Development Corporation
 - ▶ South Eastern Council of Governments
 - ▶ South Eastern Development Foundation
 - ▶ Sioux Metro Growth Alliance

18. Develop home ownership and new construction marketing programs and strategies

Findings: Cities that invest in marketing have a competitive advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, availability of local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

The City of Worthing, the Worthing Economic Development Corporation, private builders and developers have been active in the past in promoting the City, including housing opportunities.

Recommendation: We recommend that the stakeholders continue to promote and market housing in Worthing as follows:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including social media, TV, radio, etc.)
- ▶ Work closely with employers (Worthing and the Sioux Falls MSA) to provide employees (especially new employees) with housing opportunities in Worthing
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, gap financing, home owner education and home owner counseling and other housing programs
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior housing, etc.
- ▶ Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with the private sector area housing agencies.

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects:

InterLakes Community Action Partnership

505 North Western Avenue
Sioux Falls, SD 57104
(605) 334-2808
Contact: Dana Whitehouse

South Eastern Development Foundation

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390
Contact: Lynne Keller Forbes, Executive Director

South Eastern Council of Governments

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390
Contact: Lynne Keller Forbes, Executive Director

South Dakota Housing Development Authority

3060 E. Elizabeth Street
Pierre, SD 57501
(605) 773-3181

USDA Rural Development

2408 East Benson Road
Sioux Falls, SD 57104
(605) 996-1564

Rural Office of Community Services, Inc.

214 W. Main
P.O. Box 70
Lake Andes, SD 57356
(605) 698-7654

Canton Housing and Redevelopment Commission

903 W. 5th St.
Canton, SD 57013
(605) 764-5722